

Message Text

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TAGS: AFSP, PDIP, PORG, EEC

SUBJECT: STATUS OF DIPLOMATIC EXEMPTION FROM VAT

REF: (A) LONDON 14719, (B) COPENHAGEN 3988, (C) BONN 16563,
(D) EC BRUSSELS 11157, (E) EC BRUSSELS A-527, 12/29/75

1. RE ISSUE INITIALLY RAISED REF A, DISCUSSION WITH
VARIOUS EC SOURCES HAVE CLARIFIED STATUS OF DIPLOMATIC
EXEMPTIONS FROM VAT IN CONTEXT OF WORK TOWARDS AGREEMTN ON
EC SIXTH DIRECTIVE ON VAT HARMONIZATION. (SEPARATE MESSAGE
WILL REPORT ON GENERAL ASPECTS OF THIS WORK.)

2. AS NOTED REF C, ONLY CONSIDERATION BEING GIVEN HERE TO
HARMONIZATION OF TREATMENT OF DIPLOMATS UNDER THE VAT IN EC
MEMBER STATES HAS BEEN IN CONTEXT OF COMMISSION'S PROPOSAL
FOR A SIXTH DIRECTIVE. THE SIXTH DIRECTIVE IS DESIGNED TO
HARMONIZE ASSESSMENT BASE ON WHICH VAT IS COLLECTED IN
MEMBER STATES TO PAVE THE WAY FOR PUTTING COMMUNITY BUDGET
ON OWN RESOURCES BASIS AND IN STEP TOWARD GENERAL
FISCAL HARMONIZATION IN EC (REF E).

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3. THE ORIGINAL COMMISSION PROPOSAL WOULD HAVE PROVIDED

FOR UNIFORM VAT EXEMPTION FOR GOODS IMPORTED "UNDER DIPLOMATIC AND CONSULAR ARRANGEMENTS, WHICH QUALIFY FOR EXEMPTION FROM CUSTOMS DUTIES OR WOULD QUALIFY THEREFORE IF THEY WERE IMPORTED FROM A THIRD COUNTRY" (ARTICLE 15(6) OF DIRECTIVE) AND FOR "SUPPLIES OF GOODS AND SERVICES TO DIPLOMATIC AND CONSULAR MISSIONS ACCREDITED TO EACH MEMBER STATE..." (ARTICLE 16(12)). THERE WAS NO PROVISION IN DRAFT FOR EXEMPTION OF PERSONAL PURCHASES BY INDIVIDUAL DIPLOMATS OF NON-IMPORTED GOODS. THIS IS CONSISTENT WITH INFORMATION REPORTED REF C.

4. THE EC VAT WORKING GROUP JUST RECENTLY CONSIDERED THIS ASPECT OF THE SIXTH DIRECTIVE, AS FORESEEN IN REF D. THE MAJORITY OF MEMBER STATE REPRESENTATIVES PROPOSED TO REPLACE THIS NARROWING OF THE DIPLOMATIC EXEMPTION WITH A GENERAL EXEMPTION FROM VAT FOR DIPLOMATIC PERSONNEL. HOWEVER, AGREEMENT COULD NOT BE REACHED ON THIS COUNTER-PROPOSAL. IT WAS FINALLY DECIDED TO COMPROMISE BY SIMPLY ALLOWING MEMBER STATES TO CONTINUE THEIR PRESENT PRACTICES (OR ALTER THEM AS THEY WISHED). THE AMOUNTS INVOLVED IN THIS DEPARTURE FOR A UNIFORM BASE OF ASSESSMENT ARE TOO SMALL TO BE TROUBLESOME TO THE MOVE TO "OWN RESOURCES."

5. PRESUMABLY THIS COMPROMISE WILL BE INCORPORATED IN THE FINAL VERSION OF THE SIXTH DIRECTIVE. (THE COMPROMISE ON DIPLOMATIC EXEMPTION IS NOT EXPECTED TO BE RAISED AGAIN AT THE DECEMBER 16 FISCAL COUNCIL.) HOWEVER, IT IS CONSIDERED LIKELY THAT THE COMMISSION WILL TRY AGAIN AT A LATER DATE WITH A SEPARATE NEW PROPOSAL ON THE SUBJECT. IT IS TOO EARLY TO TELL WHAT THE CONTENT OR TIMING OF SUCH A PROPOSAL MIGHT BE. WE WILL KEEP ALERT TO NEW DEVELOPMENTS IN THIS AREA.

6. THANKS TO LONDON FOR ALERTING US TO THIS ISSUE, AND TO EMBASSIES FOR HELPFUL MATERIAL ON NATIONAL PRACTICES AND DEVELOPING PROBLEMS. HINTON

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